Supreme Court, U.S.
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No. 10-700

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In The
Supreme Court of the United States

CREATIVE COMPOUNDS, LLC,

Petitioner,

v.

SABINSA CORPORATION,

Respondent.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

PETITION FOR WRIT OF CERTIORARI

Matthew A. Rosenberg
Counsel of Record
LAW OFFICES OF MATTHEW ROSENBERG, LLC
36 Four Seasons Center, No. 116
St. Louis, Missouri 63017
(314) 256-9699
matt@lomr-law.com

Counsel for Petitioner *Dated: November 24, 2010*

THE LEX GROUP^{DC} ♦ 1750 K Street N.W. ♦ Suite 475 ♦ Washington, DC 20006
(202) 955-0001 ♦ (800) 815-3791 ♦ Fax: (202) 955-0022 ♦ www.thelexgroup.com

QUESTIONS PRESENTED FOR REVIEW

1. Whether it is proper to examine likelihood of confusion from the standpoint of the retail consumers of products incorporating the raw material goods, where retail consumers are never exposed to the accused mark.

2. Whether trademarks that are highly suggestive are entitled to a lower level of protection than those that are completely arbitrary or fanciful.

3. Whether a court must consider the relative strength of the common portions of two trademarks when analyzing the likelihood of confusion between the marks.

4. Whether this Court should standardize the factors to consider in a likelihood of confusion analysis under the Lanham Act, which currently vary from circuit to circuit.

5. Whether the Third Circuit was correct in making *de novo* factual findings on likelihood of confusion and substituting its own factual findings for those of the district court.

RULE 14.1(b) STATEMENT

Pursuant to Supreme Court Rule 14.1(b), Petitioner Creative Compounds, LLC states that all parties to the proceedings below appear in the caption of the case on the cover page.

The parent company of Creative Compounds, LLC is Sterling Enterprises International, LLC (which has no parent company), and no publicly held company owns more than 10% of Creative Compounds, LLC or Sterling Enterprises International, LLC.

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PETITION FOR A WRIT OF CERTIORARI

CITATIONS OF OPINIONS AND ORDERS

The initial opinion of the panel of the court of appeals dated July 9, 2010 is reported at 609 F.3d 175, 95 U.S.P.Q.2d 1897 (3d Cir. 2010). App. at 1a. The court's unpublished order denying rehearing and rehearing en banc is dated August 27, 2010. App. at 32a. The district court's findings of fact and conclusions of law were read into the record on June 16, 2008. App. at 34a. The district court's unpublished Final Judgment was entered June 26, 2008. App. at 30a.

JURISDICTION

The jurisdiction of the district court was invoked under 15 U.S.C. § 1121 and 28 U.S.C. § 1338(a). The jurisdiction of the court of appeals was invoked under 28 U.S.C. § 1291. A panel of the court of appeals entered its opinion July 9, 2010. Petitioner timely filed a petition for rehearing and rehearing *en banc*, which was denied August 27, 2010. App. at 32a. This Court has jurisdiction under 28 U.S.C. § 1254(1).

RULES AND STATUTES INVOLVED

Although not cited by the court of appeals, the questions presented implicate 15 U.S.C. § 1114(1), which states:

> Any person who shall, without the consent of the registrant—

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive,

shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) hereof, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

As used in this paragraph, the term "any person" includes the United States, all agencies and instrumentalities thereof, and

> all individuals, firms, corporations, or other persons acting for the United States and with the authorization and consent of the United States, and any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity. The United States, all agencies and instrumentalities thereof, and all individuals, firms, corporations, other persons acting for the United States and with the authorization and consent of the United States, and any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this chapter in the same manner and to the same extent as any nongovernmental entity.

Although not cited by the court of appeals, the questions presented also implicate 15 U.S.C. § 1125(a), which states:

> (1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—
>
> (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or

commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

(2) As used in this subsection, the term "any person" includes any State, instrumentality of a State or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this Act in the same manner and to the same extent as any nongovernmental entity.

(3) In a civil action for trade dress infringement under this Act for trade dress not registered on the principal register, the person who asserts trade dress protection has the burden of proving that the matter sought to be protected is not functional.

STATEMENT OF THE CASE

A. The Parties and Their Marks

Creative Compounds, LLC ("Creative") and Sabinsa Corp. ("Sabinsa") both manufacture a food

additive, forskolin. App. at 37a-38a. Forskolin is derived from a plant, Coleus forskohlii, a member of the mint family, found primarily in India.[1] App. at 3a. It is manufactured by harvesting and drying the Coleus forskohlii root and then extracting the forskolin into a highly-concentrated slurry. *Id.* The slurry is then combined with inactive ingredients to make various concentrations, which are sold in powder form. *Id.*

Sabinsa is an ingredient supplier for nutraceutical manufacturers. *Id.* In 2000, Sabinsa decided to promote forskolin as a nutraceutical ingredient for the purpose of developing lean body mass (muscle). App. at 4a. Sabinsa filed an intent-to-use application for the trademark, ForsLean, formed by combining "Fors" from forskolin with "Lean" for lean body mass. *Id.* Sabinsa first marketed ForsLean to nutraceutical manufacturers in 2000. *Id.*

In 2003, a severe drought struck India and affected Sabinsa's supply of forskolin. *Id.* Forskolin became available again in the spring of 2004. *Id.*

Creative is also an ingredient supplier to the nutraceutical industry. *Id.* Creative began selling forskolin at the end of 2002. *Id.* It did not, however, adopt the trademark Forsthin for its product until the spring of 2004 – after the supply issues with forskolin were resolved. *Id.*

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[1] The court of appeals continually referred to the extract as "forskohlin," but the extract is actually "forskolin" and the name of the plant is "Coleus forskohlii."

Neither party sells its product directly to consumers. App. at 39a. Instead, the parties sell their respective products to nutritional supplement manufacturers as an ingredient to be used in the manufacturers' products. *Id.* Sabinsa, but not Creative, does at least some marketing of its product to end users. App. at 16a-17a. There is no evidence that end users are ever exposed to Creative's Forsthin mark. Supplement manufacturers that use the parties' forskolin products purchase the products directly from the parties. App. at 42a. Furthermore, each party has specific sales people assigned to each customer, which the district court found, makes the chance of confusion by the purchaser extremely remote. *Id.*

Forskolin is very expensive, typically costing between $150 and $2,900 per kilo depending on the concentration. App. at 39a. Customers purchase forskolin in bulk, frequently purchasing orders greater than 100 kilos. *Id.* The parties stipulated that during the nearly four years of concurrent use (as of the date of the trial), there was no evidence of any actual confusion. App. at 46a-47a.

Sabinsa sent a cease-and-desist letter to Creative in the summer of 2004, soon after the latter began using the name Forsthin. App. at 5a. Creative filed a declaratory judgment action in the United States District Court for the District of Missouri. *Id.* Sabinsa then filed this suit in the District of New Jersey, and the Missouri suit was dismissed in favor of this one. *Id.*

B. The District Court Proceedings

Sabinsa filed suit on August 31, 2004. Sabinsa's Complaint alleged five claims: infringement of a registered trademark under the Lanham Act (15 U.S.C. § 1114(1)); false designation of origin under the Lanham Act (15 U.S.C. § 1125(a)); common law trademark infringement; common law unfair competition; and unfair competition under New Jersey statute § 56:4-1. App. at 39a. All of these claims require that Sabinsa prove both its ownership of a valid and legally protectable trademark and a likelihood of confusion caused by Creative's use of the trademark Forsthin. App. at 40a. See also, *E.T. Browne Drug Co. v. Cococare Prods., Inc.*, 538 F.3d 185, 191 (3d Cir. 2008). Creative has acknowledged that Sabinsa owns the ForsLean mark and that the mark is valid and legally protectable. App. at 42a. Therefore, the only issue for trial was "whether or not Defendant's use of the mark Forsthin is likely to create confusion in the marketplace when compared to Plaintiff's mark ForsLean." App. at 40a.

From February 5 through 7, 2008, the district court, Judge Dennis M. Cavanaugh presiding, held a three-day bench trial. Sabinsa provided no survey evidence as to the likelihood of confusion issue. App. at 26a. On June 16, 2008, the district court read into the record an oral decision in favor of Creative. App. at 34a *et seq.*

The district court addressed the factors set forth by Third Circuit in analyzing whether there is a likelihood of confusion between two marks

(*Interspace Corp. v. Lapp, Inc.*, 721 F.2d 460, 463 (3d Cir. 1983)), and found that Sabinsa failed to prove a likelihood of confusion. In particular, the district court found, *inter alia*, that the "common element of the parties' marks is a word with a well-known meaning among the relevant customers." App. at 50a.

The district court entered judgment in favor of Creative on June 26, 2008. App. at 30a.

C. The Court of Appeals Proceedings

Sabinsa timely appealed to the U.S. Court of Appeals for the Third Circuit. Oral arguments were held May 13, 2009.[2] On July 9, 2010, the panel issued its decision, finding inadequate the district court's reasoning and explanation of how it had weighed the relevant factors on likelihood of confusion. App. at 1a *et seq.* Ordinarily, the remedy would be a "remand for re-weighing of the applicable factors." (App. at 9a; *see generally* Fed. R. Civ. P. 52.) The panel, however, held that the facts were "largely undisputed" and the record "could support only one conclusion." *Id.* It reversed the district court's judgment in favor of Creative and directed entry of judgment for Sabinsa. App. at 28a.

Despite Creative's urging, the court also failed to consider in its analysis the strength of the common part of the two marks or to distinguish

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[2] The panel consisted of Circuit Judge Thomas L. Ambro, Senior Circuit Judge Jane R. Roth, and District Judge Nora B. Fischer (sitting by designation from the Western District of Pennsylvania).

between the level of protection given to highly suggestive marks such as ForsLean on one hand and arbitrary or fanciful marks on the other hand. Furthermore, the court of appeals analyzed the likelihood of confusion question from the viewpoint of the retail consumer purchasing supplements manufactured with forskolin purchased from others (i.e., Sabinsa and Creative). App. at 16a-17a. Although neither party sells its goods to the retail consumer, the court reasoned that Sabinsa had a marketing campaign to educate consumers about its product. *Id.* However, the court did not find (and there is nothing in the record to suggest) that the retail consumer is ever exposed to Creative's mark.

Creative timely filed a petition for rehearing and rehearing *en banc* on July 23, 2010. On August 27, 2010, the court of appeals denied the petition, stating that no judge on the panel voted for rehearing, and that a majority of the regular circuit judges did not vote for rehearing *en banc*. App. at 32a. Creative now timely files this petition for a writ of certiorari with this Court.

REASONS FOR GRANTING THE PETITION

A. Introduction

Most of the factual inquiries ("*Lapp* factors") the district court considered in analyzing the likelihood of confusion were determined by that court to favor Creative. The first and most fundamental error made by the court of appeals was readdressing all of these factors from the standpoint of the retail consumer. In contrast, the district court

had correctly viewed the relevant customer to be the supplement manufacturers who purchase forskolin from the parties. App. at 16a-17a. The court of appeals cited the fact the Sabinsa has provided marketing materials about its product directed to the retail consumer, and is thus more akin to a pharmaceutical. *Id.* (citing *Kos Pharms., Inc. v. Andrx Corp.*, 369 F.3d 700, 715 (3d Cir. 2004)).

In *Kos* and the cases it cites, however, the retail consumers were exposed to *both* parties' marks. In this case of first impression, the retail consumer ***is not exposed to the allegedly infringing mark***. Therefore, it is nonsensical to conduct the legal analysis from the viewpoint of the retail consumer. The relevant consumers can only be those entities who are exposed to both parties' marks. This issue has never been addressed before by the Third Circuit, or as far as petitioner can tell, by any circuit. But the Third Circuit's fatally flawed logic in its conclusions about the proper law to apply sets an extremely dangerous precedent in trademark law. The key issue under Lanham Act claims such as this, is whether there is a likelihood of confusion between the marks. If retail consumers can only be exposed to one party's mark, it is contrary to the statute and to common sense to judge the marks from the viewpoint of those retail consumers.

Although the precise circumstances where a segment of the non-purchasing public is exposed to one party's mark (but not the other) may never have been addressed by another court, other circuits *have* considered the case where the public is not exposed to the allegedly infringing mark. From that

standpoint, the Third Circuit's decision in the present case runs directly contrary to the logic used by other circuits. For example, the Eleventh Circuit has held, "Like the proverbial tree falling in a forest, the unauthorized use of a trademark that is never perceived by anyone cannot be said to create a likelihood of consumer confusion." *Custom Mfg. and Engineering, Inc. v. Midway Services, Inc.*, 508 F.3d 641, 652 (11th Cir. 2007)(defendant's use of copied circuit boards, including plaintiff's trademark, inside utility meters cannot constitute infringement because the purchasing public never sees the circuit board).

The court of appeals also treated the Sabinsa mark as being entitled to a high level of protection because, as a whole, it is not merely descriptive. App. at 15a. While the Third Circuit had never before addressed this issue, other circuits have held that marks which are highly suggestive (i.e., they barely cross the threshold of being inherently distinctive), are entitled to less protection than marks which are arbitrary or fanciful. Implicit in the Third Circuit's opinion in this case is that all marks that are inherently distinctive are entitled to the same high level of protection. No other circuit to consider that issue has held likewise – in fact, other circuits have expressly held to the contrary. The Federal Circuit, for example, accepts as black letter law that highly suggestive marks, though inherently distinctive, are afforded a lower level of protection. *Claremont Polychemical Corp. v. Atlantic Powdered Metals, Inc.*, 470 F.2d 636, 637 (CCPA 1972); *Sure-Fit Products Co. v. Saltzon Drapery Co.*, 117

U.S.P.Q. 295, 297 (CCPA 1958); *see also, other cases, infra* at 20.[3]

One of the findings of the district court that was particularly relevant, was that the "common element of the parties' marks is a word with a well-known meaning among the relevant customers." In other words, the part of the parties' marks that is the same – "Fors" – is descriptive of the parties' goods, namely forskolin. The court of appeals ignored the fact that where the common elements of two marks are descriptive or highly suggestive, this factor weighs heavily against a finding of a likelihood of confusion. *McCarthy on Trademarks and Unfair Competition*, Fourth Edition (2010), § 23:48.[4] *See also, Tektronix, Inc. v. Daktronics, Inc.*, 534 F.2d 915, 916 (CCPA 1976) ("Because marks, including any suggestive portions thereof, must be considered in their entireties, the mere presence of a common, *highly suggestive* portion is usually insufficient to support a finding of likelihood of confusion.")(emphasis added).

Part of the problem in this case is that the Lanham Act does not set forth the factors to consider in determining a likelihood of confusion and provides little guidance to the courts in making such

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[3] Court of Customs and Patent Appeals precedent was adopted *in toto* by its successor, the Court of Appeals for the Federal Circuit. *South Corp. v. U.S.*, 690 F.2d 1368, 1370 (Fed. Cir. 1982). *Sure-Fit Products* is often cited by the Federal Circuit in unpublished cases to reiterate the limited protection to highly suggestive marks.

[4] Although McCarthy cites over thirty cases in this section in support of this proposition, none of the cases is from the Third Circuit Court of Appeals.

determinations. Each circuit has, therefore, developed its own multi-factor test in making these determinations. While there is a high degree of overlap between these tests, there is also a clear lack of uniformity. In the Third Circuit, courts perform the analysis by examining ten factors, none of which is by itself determinative. *Interspace Corp. v. Lapp, Inc.*, 721 F.2d at 463. These factual questions are referred to in the circuit as the *Lapp* factors.[5]

Similarly, there is no clear appellate review standard on findings related to likelihood of confusion. In the present case, the court of appeals, described the likelihood of confusion determination as one based on facts (which Creative asserts is correct) that should be reviewed for clear error. It then proceeded, however, to make what was tantamount to a *de novo* review of all of the district court's findings on the *Lapp* factors. When the court was finished rewriting nearly all of the district

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[5] The *Lapp* factors are: (1) the degree of similarity between the owner's mark and the alleged infringing mark; (2) the strength of the owner's mark; (3) the price of the goods and other factors indicative of the care and attention expected of consumers when making a purchase; (4) the length of time the defendant has used the mark without evidence of actual confusion arising; (5) the intent of the defendant in adopting the mark; (6) the evidence of actual confusion; (7) whether the goods, competing or not competing, are marketed through the same channels of trade and advertised through the same media; (8) the extent to which the targets of the parties' sales efforts are the same; (9) the relationship of the goods in the minds of consumers, whether because of the near-identity of the products, the similarity of function, or other factors; (10) other facts suggesting that the consuming public might expect the prior owner to manufacture both products, or expect the prior owner to manufacture a product in the defendant's market, or expect that the prior owner is likely to expand into the defendant's market.

court's component findings on likelihood of confusion, instead of remanding for proper factual findings, it then took the drastic step of reversing the district court and directing judgment in favor of the appellant, Sabinsa. This Court has never addressed the issue of the proper standard for appellate review of likelihood of confusion determinations. However, on at least two occasions, the late Justice White expressly recognized the lack of consistency among the circuits on this issue in published dissents to denials of certiorari. *Euroquilt, Inc. v. Scandia Down Corp.*, 475 U.S. 1147 (1986); *Elby's Big Boy of Steubenville, Inc. v. Frisch's Rests., Inc.*, 459 U.S. 916 (1982).[6]

B. In a Likelihood of Confusion Analysis the Court Must Fundamentally Identify the Relevant Consumer

The threshold issue in this case is whether there is a likelihood of confusion between Sabinsa's ForsLean mark and Creative's Forsthin mark, as the marks are actually used in commerce. The parties stipulated: "Neither party sells its Forskolin products through retail stores, and neither sells

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[6] In the 63-year history of the Lanham Act, this Court has heard no more than five cases involving any form of likelihood of confusion under the Act. (*KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004); *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992); *San Francisco Arts & Athletics, Inc. v. U.S. Olympic Committee*, 483 U.S. 522 (1987); *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189 (1985)). In none of these cases did this Court ever deliver any guidance to lower courts on how to determine whether there is a likelihood of confusion.

directly to consumers for their personal use. Rather both parties sell Forskolin to manufacturers of nutraceutical products for use as an ingredient." (from Agreed Statement of Issues for Trial; *see also*, App. at 41a, 46a). The manufacturer/customer buys directly from Creative or Sabinsa, and cannot be confused about the source. The retail consumer of the food product ***never sees or knows about Creative's Forsthin mark***. Yet the court of appeals analyzed "confusion" from the point of view of that ultimate consumer – the retail consumer. This misapplication of *Kos* perhaps most directly affected *Lapp* factor 3 (purchaser's care and sophistication). It also was a necessary basis of the panel's erroneous rejection of the district court's findings as to *Lapp* factors 1, 2, 4, 6, 7, 8 and 9.

As the circuit court acknowledged, "confusion is unlikely if the products or services at issue are complex and expensive, the purchasers are highly sophisticated, and the purchase process is one that is lengthy and requires close attention and analysis by the purchasers." *Checkpoint Sys., Inc. v. Check Point Software Techs., Inc.*, 104 F. Supp. 2d 427, 460 (D.N.J. 2000), *aff'd*, 269 F.3d 270 (3d Cir. 2001) (citing *Astra Pharm. Prods., Inc. v. Beckman Instruments, Inc.*, 718 F.2d 1201, 1206-07 (1st Cir. 1983); *CIT Group, Inc. v. Citicorp*, 20 F. Supp. 2d 775, 790 (D.N.J. 1998)); see also *Lang v. Ret. Living Pub. Co.*, 949 F.2d 576 (2d Cir. 1991)(high level of sophistication makes it "far less likely" that buyer would purchase one party's product believing another party to be the source).

The circuit court did not dispute that, from the viewpoint of the manufacturer/purchaser, the district court's findings were valid. As the district court found, based on ample evidence, forskolin is sold to a limited number of manufacturers, solely as an ingredient. That clientele consists of "knowledgeable, repeat customers," who exercise considerable care before purchasing this food product. The parties' products are not sold over the counter, but require the customer to contact the seller – either Sabinsa or Creative – directly, usually through a specific salesperson with whom the buyer has had prior contact. Typically the product is bought in 25-kilogram lots, for a minimum of $5000.

The court of appeals, however, held that the relevant customers for purposes of likelihood of confusion were the retail consumers of food products incorporating the forskolin ingredient. The court cited *Kos*, a pharmaceutical case in which the drug was marketed directly to potential patients ("ask your doctor about Brand X"). 369 F.3d at 715-16. *Kos* held that where the patient is a purchaser/decisionmaker, the patient's potential "confusion" of the marks is the relevant inquiry.

That is not the case here. The court of appeals cited evidence that Sabinsa supplies retailers with pamphlets promoting the ForsLean mark.[7] But Creative's Forsthin mark is not licensed to others or

[7] The existence of some pamphlets fails to establish in any case that the ultimate consumer is the purchaser/decisionmaker of Forsthin as opposed to ForsLean. The district court could legitimately have found that these pamphlets were of comparatively little importance. The point here, however, is more fundamental and legal.

used by any downstream retailer or customer. The ultimate consumer never sees Creative's Forsthin mark, even if he or she purchases a product that incorporates Forsthin brand forskolin. There is no likelihood of "confusion," because ForsLean occupies the retail field alone.

Thus, the appellate court's invocation of "the general consumer reading a ForsLean pamphlet who then chooses a nutraceutical containing forskolin," on a "trip to the check-out counter," is a *non sequitur*. App. at 17a. That customer never sees Creative's Forsthin mark at all and, *a fortiori*, does not "confuse" it with ForsLean. This was a fundamental misstatement of law by the court of appeals – resulting in the entire likelihood of confusion analysis being performed from the standpoint of the wrong consumer.

In his concurring opinion, Judge Ambro cited evidence that manufacturer/purchasers vary in sophistication.[8] App. at 26a. There was ample evidence, however, that the purchasers are quite knowledgeable and careful. At any rate, "sophistication" in this context means that the buyers are manufacturers purchasing an ingredient in bulk at significant cost, directly from the source. They will not potentially be misled as to source by, say, the trade dress of a package, like a consumer selecting a pack of gum. The central issue is whether

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[8] Ironically, if one reads Judge Ambro's opinion, omitting the first and last sentences of the first paragraph and the last two sentences of the second paragraph, the opinion reads more akin to a dissenting opinion than a concurring one.

forskolin purchasers are confused about whose product they are buying, which they clearly are not.

The law "assume[s] that professional buyers are less likely to be confused than the ordinary consumer." *Checkpoint*, 269 F.3d at 284. The evidence confirms that inference, and the district judge's findings of fact should have been upheld.[9] More importantly, however, this case sets a dangerous precedent by holding that the proper likelihood of confusion analysis must be done from the viewpoint of retail consumers who are never exposed to the allegedly infringing mark. Regardless of which circuit's multi-factor likelihood of confusion test is used, this fundamental flaw affects many of the factors.

C. The Third Circuit Improperly Conducted What was Tantamount to a De Novo Review of the Analysis

Not a single customer was confused or mistaken in the nearly four years that the two marks coexisted in the marketplace. As pointed out in Judge Ambro's concurrence, "Sabinsa offered no evidence of actual confusion, a factor that we have previously described as 'highly probative' in this context." App. at 26a (quoting *Checkpoint*, 269 F.3d at 291). The district court found no "diminution of customers" and "no evidence of even one consumer being confused by the mark."

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[9] For a detailed analysis of all of the facts demonstrating the high level of sophistication of the buyers involved in this case, see the district court's opinion, App. at 40a-42a.

The *only* customer who gave evidence testified that neither he nor anyone at his company had ever been confused about the source of the forskolin offered for sale by Creative or Sabinsa. Nor was there the least bit of evidence to support Sabinsa's theory of temporary "initial interest" confusion; no customer had ever mistakenly contacted Creative seeking to buy Sabinsa's product.

To be sure, likelihood of confusion, not actual confusion, is the ultimate issue. *E.g.*, *Fisons Horticulture, Inc. v. Vigoro Indus., Inc.*, 30 F.3d 466, 472 (3d Cir. 1994). Nevertheless, "[t]he longer the challenged product has been in use, the stronger this inference [i.e., no likelihood of confusion] will be." *Checkpoint*, 269 F.3d at 291. If past consumers were not confused, there is a legitimate inference "that future consumers will not be confused either." *Fisons*, 30 F.3d at 476.

Sabinsa's failure to conduct a customer survey further supported the district court's finding. Sabinsa's witnesses testified that ForsLean is Sabinsa's number one brand. Sabinsa surely had the economic incentive to perform a survey of this limited customer base if it would help its case. A plaintiff's failure to conduct a customer survey on the likelihood of confusion, particularly where it is financially able to do so, justifies an inference "that the plaintiff believes the results of the survey will be unfavorable." *Jacquin et Cie, Inc. v. Destileria Serralles, Inc.*, 921 F.2d 467, 475 (3d Cir. 1990).

In a single paragraph, the panel opinion noted that the district court "did not err" in finding these

two factors favored Creative. It did not, however, draw the required strong inference that there was no likelihood of confusion. This further evidences the need for uniform guidance to courts on properly determining likelihood of confusion.

D. The District Court's Recognition that the Common Portion of the Marks was Descriptive was Correct

The court of appeals rejected the district court's factual finding that Forsthin and ForsLean are "materially different in sight, sound and meaning." In doing so, the appellate court criticized the district court's analysis and cited various pieces of evidence "ignored" by the district court. The court of appeals, however, failed to acknowledge the ample other evidence that the marks were not confusingly similar. Even if, as the circuit court found, the district court failed to make adequate findings, the circuit court was not thereby entitled to make its own; the only proper remedy would be a remand for further fact finding.

The actual text of the marks Forsthin and ForsLean both begin with "Fors" and end with "n." The district court, however, had an ample evidentiary basis to distinguish the marks on a connotative basis.[10]

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[10] The court of appeals seemingly faulted the district court for analyzing and distinguishing the competing product logos, while conceding that it would be constrained to defer to that analysis. The logo issue was presented by the parties, and most of the submitted materials employ the logo. Some materials – text-only emails, for example – do not. Nevertheless, the district court's comparison of the logos is relevant.

The appellate court's rejection of the district court's finding that the marks are distinct rests heavily on its unsupported belief that "end users" (i.e., ultimate retail consumers of food products) would equate "thin" with "lean." There was no evidence of that. But, in any event, that finding is infected by the fundamental legal error identified above: the relevant decision makers are not consumers of the food products, who never see the Forsthin mark, but the supplement manufacturers (the purchasers of forskolin).

The evidence of the connotation of the marks to the actual purchasers of the product was ample. To nutraceutical manufacturers, "thin" and "lean" have different meanings. The district court heard evidence that the former connotes traditional dieting or weight loss; the latter, a muscular body type. The evidence of this was ample, and subsequently adopted by the district court. App. at 45a. The distinction originated with Sabinsa, which stresses the distinction in its promotional literature. The "lean body mass" claim was the foundation of Sabinsa's patent (later invalidated) pursuant to which Sabinsa originally attempted to bar the sale of Forsthin.

The customers' sole reason for buying the product was to obtain forskolin for use as an ingredient. To nutraceutical manufacturers who know what forskolin is and seek to purchase it, the "fors" prefix signified an abbreviation of the generic term forskolin. "[W]here the common element of the parties' marks is a word with a well-known meaning among the *relevant customers*, relatively slight

differences in sound or appearance can suffice to eliminate a risk of confusion." App. at 50a (citing *Tonka Corp v. Rose Art Indus., Inc.*, 836 F. Supp. 200, 205 (D.N.J. 1993); *Del Labs., Inc. v. Alleghany Pharmacal Corp.*, 516 F. Supp. 777, 782 (S.D.N.Y. 1981) (no likelihood of confusion as to REJUVA-NAIL and REJUVIA marks))(emphasis added).

The court of appeals faulted the district court for breaking down the mark into its components. But the district court again and again stated the correct, holistic principle. App. at 44a ("the standard is whether the labels created the same overall impression"). It was proper to consider the components in the course of that holistic analysis. "[T]he general rule that marks should be viewed in their entirety does not undermine the common-sense precept that the more forceful and distinctive aspects of a mark should be given more weight, and the other aspects less weight." *A & H Sportswear, Inc. v. Victoria's Secret Stores, Inc.*, 237 F.3d 198, 216 (3d Cir. 2000). In a recent unpublished decision involving two vitamins, a different panel of the Third Circuit applying the *Lapp* factors held that the district court had overstated the marks' similarity because it should have focused more on the prefix and less on the suffix, which signifies vitamins. *Everett Labs., Inc. v. Vertical Pharms., Inc.*, 227 Fed. Appx. 124 (unpub., 3d Cir. 2007) (CORVITE and STROVITE). *Country Floors, Inc. v. Partnership Composed of Gepner & Ford*, 930 F.2d 1056, 1065 (3d Cir. 1991), too, held that where the "dominant portions" of two marks are the same, confusion is likely. So with "Fors," which generically refers to the nature of the plant product; the "dominant

portions" are "thin" and "Lean," which signify distinct benefits to the "relevant customers," *i.e.*, those in the market for health supplement ingredients.

The circuit court's decision picks out stray bits of contrary evidence, but the fact finder would be entitled to credit the ample evidence cited above.

E. The Court of Appeals Did Not Consider the Relative Strength of Highly Suggestive Marks, Contrary to Other Circuits

The district court found the strength-of-mark factor to be in equipoise. It noted the parties' offsetting contentions (a) that the mark is conceptually weak because it is "highly suggestive" of the product's physical content, as opposed to being fanciful and (b) that the mark is commercially strong because of its advertising, press attention and industry awards. The district court, however noted "that the parties' sophisticated target consumers were aware of both parties' marks and that there is no confusion."

The court of appeals noted the familiar hierarchy of trademarks (from weak to strong): "generic," "descriptive," "suggestive," "arbitrary," and "fanciful." The panel stated that "lean" is a generic descriptor, but that "fors" is "not yet one," and found the mark to be "suggestive." But even if suggestive, the Forslean mark is so "highly suggestive" as to border on descriptive, because it describes the product to the relevant audience:

> The scope of protection afforded such highly suggestive marks is necessarily narrow and confusion is not likely to result from the use of two marks carrying the same suggestion as to the use of closely similar goods.

Drackett Co. v. H. Kohnstamm & Co., 404 F.2d 1399 (CCPA 1969) (ENDUST). This a basic tenant of trademark law, which the Third Circuit failed to acknowledge, but which other circuits have recognized for decades, and which the Federal Circuit (and its predecessor court) accept as black letter law. *See also, Vita-Var Corp. v. Galvicon Corp.*, 284 F.2d 953 (CCPA 1960) (GALVANUM and GALVICON not confusing because the prefix is highly suggestive of the galvanizing function of paint products); *Spraying Sys. Co. v. Delavan, Inc.*, 975 F.2d 387, 395 n.6 (7th Cir. 1992); *Nautilus Group, Inc. v. ICON Health and Fitness, Inc.*, 372 F.3d 1330, 1340 (Fed. Cir. 2004). The district court, itself, recognized this legal proposition. "It is well established that the scope of protection afforded a merely descriptive *or even a highly suggestive term* is less than that accorded an arbitrary or coined mark." App. at 51a (citing Trademark Office Trademark Manual of Examining Procedure § 1207.01(b)(ix), *In re Hunke & Jochheim*, 185 U.S.P.Q. 188, 189 (TTAB 1975))(emphasis added).

ForsLean signals to the relevant customers the nature of the goods (forskolin) and the intended application (promotion of lean body mass). Both parties used "fors" as an abbreviation for forskolin, the generic name of the plant product. The court of appeals even recognized this fact earlier in its

opinion: "ForsLean, formed by combining 'Fors' from forskohlin [sic] with 'Lean' for lean body mass." App. at 3a. The only reason the customers purchased Forsthin or ForsLean was because each product consisted of forskolin. To that class of manufacturer/purchaser, "fors" could only have signified forskolin. And "lean" is even more descriptive or generic. Indeed, the United States Trademark Office's records include more than one hundred forty seven (147) "live" references to LEAN-formative trademarks for goods in Class 5, into which the parties' goods fall.

The circuit court noted that "V-8" has been found to be a strong, arbitrary trademark, despite its origin as an abbreviation for the eight vegetables in the drink. App. at 14a (citing *Standard Brands, Inc. v. Smidler*, 151 F.2d 34, 36 (2d Cir. 1945)). Indeed, the casual juice-drinking public might not perceive the single letter "V" as an abbreviation for "vegetable." The evidence easily supports a "highly suggestive" designation here, however.

The district court's invocation of "sophisticated" customers need not be read as a conflation of two or more factors, as the panel interpreted it; rather the district court was considering the meaning of the term to the relevant customer base and/or assigning relative weight to this factor vis-à-vis the others. "Not all factors will be relevant in all cases; further, the different factors may properly be accorded different weights depending on the particular factual setting." *Freedom Card, Inc. v. J.P. Morgan Chase & Co.*, 432 F.3d 463, 471 (3d Cir. 2005). The district court's

point was that the strength of the mark is a less significant "confusion" factor in this factual setting, where a limited class of informed buyers knows the actual nature and source of the product.

F. The Court of Appeals Made Other Errors in Substituting Itself as the Fact Finder

The court of appeals found that the evidence of intent (*Lapp* factor 5) was disputed, and purported not to make an appellate finding as to this factor. Nevertheless, it seems to have adopted wholesale Sabinsa's narrative: that Creative took advantage of Sabinsa's supply difficulties to capture its market by means of trademark infringement. The facts easily admit to another interpretation. Sabinsa, unable to secure a reliable supply, set out to capture its competitor's profits through litigation. Originally Sabinsa asserted a bogus patent, which was later invalidated. This litigation is its second attempt to accomplish in court what it could not achieve in the marketplace.

Creative's mark was part of a preexisting product naming strategy, in which a shortened version of the active ingredient was combined with the word "thin." Adoption of the Forsthin mark does not evince any intent to infringe.[11]

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[11] Intent should not be a relevant concern in the likelihood of confusion analysis. The district court noted the evidence was "contrary" to Sabinsa's assertion that Creative intended to trade off its goodwill (a point that the court of appeals disputed as part of its *de novo* fact finding). However, the district court also profoundly noted that "a party's intent in adopting its mark is irrelevant where there is no likelihood of confusion." App. at 54a (citing *Versa Porducts Co., Inc. v. Bifold Co. (Mfg.), Ltd.*, 50 F.3d 189, 205 (3d Cir. 1995)).

As noted by the court of appeals, Sabinsa and Creative are indeed competitors who sell a similar product to the same manufacturer/purchasers. In considering *Lapp* factors 7-10, however, the court set aside its earlier reliance on Sabinsa's promotion of its product in the retail market through pamphlets. Creative does ***not*** expose its mark to the retail market. These two aspects of the appellate fact finding cannot be reconciled.

In the minds of the manufacturer/purchasers, the competing goods are no doubt closely related. But here again, the ultimate retail consumer of the food products never sees or knows about Creative's Forsthin mark.

G. The Court of Appeals Usurped the District Court's Role as Fact Finder

Setting aside the appellate court's errors in overruling the district court's fact finding as to the *Lapp* factors, its reweighing of the factors was beyond its authority. As the panel pointed out, such reweighing is appropriate only where the facts are "undisputed." App. at 8a (citing *Kos*, 369 F.3d at 712, 725). For the reasons expressed above, the evidentiary record does not permit any conclusion that a judgment for Sabinsa is the only permissible outcome. Even if the district court's factual findings were flawed, the proper remedy would be a remand for further fact finding. *See id.* Even setting aside the factual conflicts, the sophistication of the purchasers and the long absence of any actual confusion would permit an inference that there was no likelihood of confusion as a matter of law.

In *Kos*, the district court "made no findings as to the degree of similarity" of the marks, 369 F.3d at 713, and the Third Circuit was able to do so based on the face of the record. The other factors in this case were not present. Rather, the *Kos* defendant attempted to rely, unsuccessfully, on findings and alleged "admissions" in European patent proceedings. Once the defendant's two arguments were swept aside, there was nothing to suggest that the marks were not similar. 369 F.3d at 712-14. Here, by contrast, legitimate legal arguments and voluminous evidence of record support Creative's position as to all the *Lapp* factors.

The court of appeals should have deferred to the district court's primary role as fact finder and weigher of the *Lapp* factors. The proper outcome should have been affirmance of the district court's judgment. At most, however, the remedy for defective fact finding would be a remand, not reversal.

CONCLUSION

For the foregoing reasons, this Court should grant certiorari to consider the novel question involved here concerning the proper viewpoint of the relevant customer in likelihood of confusion analyses. The Court should also seize this opportunity to provide uniformity throughout the circuits as to the proper test for determining likelihood of confusion and the relative level of protection of highly suggestive marks compared to those that are arbitrary or fanciful. This Court should further correct the Third Circuit on the issue

of conducting *de novo* fact finding – something which is not a proper function of a circuit court of appeals – and should direct the circuit court that only a remand is appropriate where there are facts in dispute.

Respectfully Submitted,

Matthew A. Rosenberg
Counsel of Record
Law Offices of Matthew Rosenberg, LLC
36 Four Seasons Center, No. 116
St. Louis, Missouri 63017
(314) 256-9699
matt@lomr-law.com

Counsel for Petitioner

APPENDIX

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PRECEDENTIAL

UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

No. 08-3255

SABINSA CORPORATION,

Appellant.

v.

CREATIVE COMPOUNDS, LLC

On Appeal from the United States District Court
for the District of New Jersey
(D. C. No. 2-04-cv-04239)
District Judge: Hon. Dennis M. Cavanaugh

Argued on May 13, 2009

Before: AMBRO and ROTH, Circuit Judges
and FISCHER*, District Judge

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*Judge Nora Barry Fischer, United States District Judge for the Western District of Pennsylvania, sitting by designation.

(Opinion filed: July 9, 2010)

James H. Hulme, Esquire **(Argued)**
Arent, Fox, Kintner, Plotkin & Kahn, LLP
1050 Connecticut Avenue, N.W., Suite 500
Washington, DC 20036

Counsel for Appellant Sabinsa Corporation

Sean R. Kelly, Esquire
Saiber, LLC
One Gateway Center, 13th Floor
Suite 300
Newark, NJ 07102-5311

Counsel for Appellant Sabinsa Corporation

Brian J. McMahon, Esquire
Kevin McNulty, Esquire **(Argued)**
Gibbons, P. C.
One Gateway Center
Newark, NJ 07102-5310

Counsel for Appellee Creative Compounds, LLC

OPINION

ROTH, Circuit Judge:

Sabinsa Corporation appeals the District Court's judgment in favor of Creative Compounds, LLC, on Sabinsa's trademark infringement and unfair competition claims. The District Court found that there was no likelihood of confusion between Sabinsa's mark, ForsLean, and Creative Compounds's mark, Forsthin, both of which refer to *Coleus forskohlii* extract, an ingredient used in weight management products. Because the District

Court erred in its findings on the *Lapp* factors and its ultimate finding on likelihood of confusion, we will reverse the judgment. Further, because the undisputed facts weigh heavily in favor of Sabinsa so that any reasonable fact finder, weighing the *Lapp* factors properly, would find that Sabinsa had demonstrated a likelihood of confusion, we conclude that there is no need to remand for a re-weighing by the District Court of the *Lapp* factors. We therefore remand this case for entry of judgment in favor of Sabinsa.

I. Background

The following facts are undisputed.

Forskohlin is an extract derived from the roots of the plant *Coleus forskohlii*, a member of the mint family, found primarily in India. It is manufactured by harvesting and drying the *Coleus forskohlii* root and then extracting the forskohlin into a highly-concentrated slurry. The slurry is then combined with inactive ingredients to make various concentrations, which are sold in powder form.

Sabinsa, an ingredient supplier for nutraceutical1[1] manufacturers, was founded in 1988 by Dr. Muhammed Majeed, a scientist with experience in the pharmaceutical industry. In 1996, Dr. Majeed began research into the potential use of forskohlin to promote lean body mass. After completing a clinical trial, Sabinsa filed an intent-to-use application for the trademark, ForsLean, formed by combining "Fors" from forskohlin with "Lean" for

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[1] The nutraceutical industry provides ingredients for suppliers, manufacturers, and marketers of nutritional supplements.

lean body mass. Sabinsa first marketed ForsLean to nutraceutical manufacturers in 2000. Sabinsa has also created pamphlets marketing ForsLean directly to the public. ForsLean was Sabinsa's highest revenuegenerating product for at least five years preceding the trial in the District Court.

In 2003, a severe drought struck India and affected Sabinsa's supply of forskohlin. As a result, Sabinsa both worked to keep its customers interested in ForsLean and spent significant resources helping farmers in India cultivate *Coleus forskohlii* to ensure a continued supply in the future. Forskohlin was available again in the spring of 2004, in part due to Sabinsa's efforts. Sabinsa thereafter created the "ForsLean promise," a commitment to its customers to ensure the supply of forskohlin in the future.

Creative Compounds is also an ingredient supplier to the nutraceutical industry although it operates with only seven employees, none of whom is a scientist or Ph.D., and it conducts no research and development. Creative Compounds began selling forskohlin at the end of 2002. It did not, however, adopt the trade name Forsthin for its product until the spring of 2004 – just as Sabinsa's supply problems were coming to an end. Though there is no indication that Creative Compounds ever had a problem with supply associated with the drought in India, it heavily promoted "The Return of Coleus" as it introduced its new Forsthin brand: "Not long ago, Coleus was one of the most powerful options in stimulant-free weight loss. That was until raw material shortages and low-quality extracts made maintaining a Coleus formula a nightmare. Those

days are over." Creative Compounds made very few sales of forskohlin in 2002, 2003, and 2004, but sold more than 1000 kilograms in 2005, nearly 600 kilograms in 2006, and nearly 700 kilograms in 2007.

Sabinsa sent a cease-and-desist letter to Creative Compounds in the summer of 2004, soon after the latter began using the name Forsthin. Within a week and without contacting Sabinsa, Creative Compounds filed a declaratory judgment action in the United States District Court for the District of Missouri. Sabinsa then filed this suit, and the Missouri suit was dismissed in favor of this one.

Sabinsa's Complaint alleged five claims, all of which required that it prove both its ownership of a valid and legally protectable trademark and a likelihood of confusion caused by Creative Compounds's use of the mark Forsthin. *E.T. Browne Drug Co. v. Cococare Prods., Inc.*, 538 F.3d 185, 191 (3d Cir. 2008). Creative Compounds has conceded that Sabinsa owns the ForsLean mark and that the mark is valid and legally protectable. Therefore, the only issue for trial was "whether or not Defendant's use of the mark Forsthin is likely to create confusion in the marketplace when compared to Plaintiff's mark Fors[L]ean."

On June 16, 2008, after a bench trial, the District Court read into the record an oral decision in favor of Creative Compounds. Sabinsa appealed. We have jurisdiction pursuant to 28 U.S.C. § 1291.

II. Standard of Review

We exercise plenary review over the District Court's legal conclusions regarding the Lanham Act. *See Checkpoint Sys., Inc. v. Check Point Software Techs., Inc.*, 269 F.3d 270, 279 (3d Cir. 2001). Factual findings concerning the likelihood of confusion are reviewed for clear error. *See A & H Sportswear, Inc. v. Victoria's Secret Stores, Inc.*, 237 F.3d 198, 210 (3d Cir. 2000). "Clear error exists when, giving all deference to the opportunity of the trial judge to evaluate the credibility of witnesses and to weigh the evidence, we are left with a definite and firm conviction that a mistake has been committed." *Id.* at 194 (quotation marks and citation omitted). Though "[l]ikelihood of confusion is a factual question[,] . . . legal principles govern what evidence may, or must, be considered by the District Court in reaching that conclusion, and also what standards apply to its determination." *Id.* at 210.

Pursuant to Federal Rule of Civil Procedure 52, a trial court must make clear factual findings to support its conclusions. 9 Wright & Miller, Federal Practice & Procedure § 2574, at 690. Rule 52 is not satisfied "by the statement of the ultimate fact without the subordinate factual foundations for it which also must be the subject of specific findings." *O'Neill v. United States*, 411 F.2d 139, 146 (3d Cir. 1969). "If [subordinate findings] did not enter into the process by which the ultimate factual finding was made, then it was without any supporting foundation." *H. Prang Trucking Co., Inc. v. Local Union No. 469*, 613 F.2d 1235, 1238 (3d Cir. 1980)(citation omitted).

III. The District Court's Likelihood of Confusion Analysis

"To prove likelihood of confusion, plaintiffs must show that consumers viewing the mark would probably assume the product or service it represents is associated with the source of a different product or service identified by a similar mark." *Checkpoint Sys.*, 269 F.3d at 280 (internal quotation marks removed). In *Interpace Corp. v. Lapp, Inc.*, we set forth the factors which may indicate a likelihood of confusion:

> (1) the degree of similarity between the owner's mark and the alleged infringing mark;
> (2) the strength of the owner's mark;
> (3) the price of the goods and other factors indicative of the care and attention expected of consumers when making a purchase;
> (4) the length of time the defendant has used the mark without evidence of actual confusion arising;
> (5) the intent of the defendant in adopting the mark;
> (6) the evidence of actual confusion;
> (7) whether the goods, though not competing, are marketed through the same channels of trade and advertised through the same media;
> (8) the extent to which the targets of the parties' sales efforts are the same;
> (9) the relationship of the goods in the minds of consumers because of similarity of functions; and

> (10) other factors suggesting the consuming public might expect the prior owner to manufacture a product in the defendant's market or that he is likely to expand into that market.

721 F.2d at 463. "None of these factors is determinative in the likelihood of confusion analysis and each factor must be weighed and balanced one against the other." *Checkpoint Sys.*, 269 F.3d at 280. In reviewing a district court's analysis of the *Lapp* factors, we can reverse the court's conclusions if the relevant factors are not properly set forth and not properly weighed. *See Kos Pharmaceuticals v. Andrx Corporation*, 369 F.3d 700, 711-12 (3d Cir. 2004).

In *Kos*, a trademark case involving the marks "ADVICOR" and "ALTOCOR," we reversed a district court's likelihood of confusion decision because it had erred in its analysis of mark similarity, overemphasized customer sophistication, applied the wrong standards regarding intent, and ignored several other relevant *Lapp* factors. *Id.* at 711–12. The same district judge made similar errors here. In finding that there was no likelihood of confusion between ForsLean and Forsthin, the District Court engaged in detailed analysis of only three of the relevant *Lapp* factors and failed to discuss much of the evidence presented by Sabinsa. The District Court then asserted, "This Court is not going to comment on all of the testimony offered at trial. Suffice it to say, I am satisfied that the testimony taken as a whole amply supports the Court's decision." However, while it is true that a district court may find that "certain of the *Lapp* factors are inapplicable or unhelpful in a particular case," the

court must still "explain its choice not to employ those factors." *See A & H Sportswear*, 237 F.3d at 214 n.8. Here, the District Court failed to explain whether it viewed these remaining factors as neutral or irrelevant or how it weighed and balanced the combined factors. Further, its reasoning concerning the three factors it chose to analyze is flawed.

Typically, when a district court fails adequately to support its findings, we merely remand for a re-weighing of the applicable factors. Where the facts are largely undisputed, however, "'we need not remand' if application of the correct standard could support only one conclusion." *Kos*, 369 F.3d at 712 (quoting *Duraco Prods., Inc. v. Joy Plastic Enters., Ltd.*, 40 F.3d 1431, 1451 (3d Cir. 1994)); *see also Lapp*, 721 F.2d at 460 (reversing and directing entry of judgment). Such a remand would be a waste of judicial resources. In *Kos*, for example, we observed, "Regardless of how the factual disputes might be resolved, any reasonable factfinder weighing the *Lapp* factors in accordance with the correct legal standards would hold [in favor of Kos]." *Kos*, 369 F.3d at 725. Accordingly, as we did in that case, we will review the findings of the District Court, along with the evidence presented by the parties, to determine whether, in light of the controlling legal principles, the facts and/or the failures in the District Court's analysis compel a result as a matter of law.

IV. The Individual *Lapp* Factors

A. Similarity of Marks (*Lapp* Factor One)

"The single most important factor in determining likelihood of confusion is mark similarity." *A & H Sportswear*, 237 F.3d at 216. Marks are confusingly similar "if ordinary consumers would likely conclude that [the two products] share a common source, affiliation, connection or sponsorship." *Fisons Horticulture, Inc. v. Vigoro Indus., Inc.*, 30 F.3d 466, 477 (3d Cir. 1994). The proper test is not a side-by-side comparison but, rather, "whether the labels create the same overall impression when viewed separately." *Kos*, 369 F.3d at 713. Overall impression is created by the sight, sound, and meaning of the mark. *See A & H Sportswear*, 237 F.3d at 217. "'The degree of similarity . . . needed to prove likely confusion will vary with the difference in the goods . . .. Where the goods . . . are directly competitive, the degree of similarity required to prove a likelihood of confusion is less than in the case of dissimilar products.'" *Kos*, 369 F.3d at 713 (quoting 3 J. Thomas McCarthy, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 23:20.1 (4th ed. 2003)).

The District Court found that this factor favors Creative Compounds, asserting that, beyond the shared letters "fors," ForsLean and Forsthin have "no other similarity." The court's reasoning, however, contains clear errors. First, for its visual analysis, the District Court focused on minute differences in the products' logos while ignoring evidence that both marks are often used in plain text

without the surrounding graphics.[2] The District Court devoted only one sentence to a visual comparison of the words ForsLean and Forsthin apart from their logos and that sentence only contrasted the words "thin" and "lean" rather than the "overall impression." However, looked at as a whole, ForsLean and Forsthin share all but three letters, have the same dominant syllable and end letter, and have the same number of syllables. Under these circumstances, the District Court clearly erred in finding that the words are not visually similar. *See Kos*, 369 F.3d at 713 (because ADVICOR and ALTOCOR are "[b]oth . . . seven-letter, three-syllable words that begin and end with the same letters and the same sounds . . . the district court clearly erred in failing to recognize that this factor weighs in [the senior user's] favor").

Likewise, in analyzing the "connotative differences" between ForsLean and Forsthin, the District Court ignored evidence and failed to make sufficient subordinate findings. The court stated that it "accepts Defendant's arguments that a different commercial impression is made by the word 'lean' versus 'thin'" and that "[t]hin would convey to the consumer . . . weight loss, whereas lean would convey a lean body type." As an initial matter, again

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[2] Even the District Court's comparison of the logos appears misguided. The "ordinary customer" is supposed to have "only general recollection" of one mark when encountering the second. *See Fisons Horticulture*, 30 F.3d at 477–78. By that standard, the two logos seem strikingly similar: Each contains the respective product name, with the second syllable set off, placed in front of foliage to symbolize the *Coleus forskohlii* plant. Alone, however, this likely would not merit vacatur, given the deference owed to the District Court's findings.

the District Court erred by comparing "lean" and "thin" rather than ForsLean and Forsthin. *See Fisons Horticulture*, 30 F.3d at 477–78. More centrally, the District Court's finding is contrary to undisputed evidence at trial, none of which was cited in its opinion: Creative Compounds uses "thin" and "lean" interchangeably in its other weight loss products, Creative Compounds's sales manager and one of its customers conceded at trial that "lean" invokes "weight loss" and that Sabinsa promotes ForsLean to end users as a "weight management" product. Indeed, during the trial, the District Court took "judicial notice that there are products out here, when they use the word 'lean,' that are weight loss products." Its ultimate finding that the words "thin" and "lean" "would convey" different mental impressions to consumers is impossible to reconcile with this earlier recognition that the terms are interchangeable to consumers.

In sum, the District Court clearly erred in failing to find that this factor favors Sabinsa.

B. Strength of Mark (*Lapp* Factor Two)

To determine the strength of the mark, courts look to (1) the inherent features of the mark contributing to its distinctiveness or conceptual strength and (2) the factual evidence of the mark's commercial strength or of marketplace recognition of the mark. *See A & H Sportswear*, 237 F.3d at 221.

Courts classify the distinctiveness or conceptual strength of a mark as either (1) generic, like "Diet Chocolate Fudge Soda"; (2) descriptive, like "Security Center"; (3) suggestive, like "Coppertone"; or (4)

arbitrary or fanciful, like "Kodak." *Id.* Arbitrary or fanciful marks use terms that neither describe nor suggest anything about the product. *Id.* Suggestive marks require consumer "imagination, thought, or perception" to determine what the product is. *Id.* Descriptive marks "forthwith convey[ ] an immediate idea of the ingredients, qualities or characteristics of the goods." *Id.* Generic marks "function as the common descriptive name of a product class." *Id.*

The District Court acknowledged that the "Fors" in ForsLean and Forsthin "is apparently an abbreviation of the generic term of the product, Coleus forskohlii." It then concluded that "[fors] is not a mere arbitrary term, but, rather, a prefix used by each party combined with either the word 'lean' or 'thin.'" Never, however, did the court assign a classification for the ForsLean mark; rather, in evaluating the mark's strength, the court merely stated:

> Defendant argues that Plaintiff's mark is conceptually weak because it is highly suggestive. Sabinsa argues that its mark is commercially strong based on its advertising efforts, press mentions and its receipt of two industry awards regarding its product. However, testimony at trial reflected the parties' sophisticated target customers were aware of both parties' marks and that there is no confusion. This factor does not support Plaintiff's position.

This analysis amounts to legal error, and it culminated in a clearly erroneous finding.

First, it does not follow that because Sabinsa and then Creative Compounds used "fors" as an abbreviation for *Coleus forskohlii*, the term is conceptually weak. As Sabinsa points out, the "V" in V-8 stands for "vegetable" and the "8" stands for the fact that the juice has eight vegetables, but V-8 is still an arbitrary term. *See Fisons Horticulture*, 30 F.3d at 478 n.17 (citing *Standard Brands, Inc. v. Smidler*, 151 F.2d 34, 36 (2d Cir. 1945) ("The letter V by itself no more signifies 'vegetable' than it does any other word of which it is the initial letter . . . . As much is true of the figure 8 . . . ."). There was no evidence presented that "fors" is a *generic* term for forskohlin. Accordingly, to the extent that the District Court meant to imply that the parties' use of "fors" as an abbreviation makes ForsLean a generic or descriptive term, this is not the law.

Second, beyond its brief discussion of the abbreviation "fors," the District Court did not analyze either the conceptual or commercial strength of ForsLean. Instead, as set forth above, it described the parties' arguments and then reiterated its finding that there had been no confusion between the two companies among its "sophisticated customers." Actual confusion and the sophistication of a party's customers, however, are different prongs of the *Lapp* test and were "impermissibly conflated" by the District Court. *See Kos*, 369 F.3d at 722. Creative Compounds argues that the District Court merely found that the lack of confusion among the parties' customers "trump[ed]" the parties' arguments concerning the conceptual and commercial strength of ForsLean and that the "strength of the mark is a less significant 'confusion' factor when the buyers *know* the *actual* source of

each product." This argument mischaracterizes the court's analysis. If the court had meant to find that the strength factor was in Sabinsa's favor but less important than other factors, it could have said so. Instead, the District Court found that the strength of the ForsLean mark "does not support Plaintiff's position." This was clear error.

Once again, because the facts underlying the strength analysis are manifest and undisputed, we will review the facts and law to determine whether they compel a particular result. Sabinsa argues that ForsLean is arbitrary or suggestive, while Creative Compounds argues that it is a descriptive mark because it combines a description of the product ("fors") with its intended application ("lean"). While "lean" is certainly a generic term, "fors" is not yet one. The parties to this case are the only two that use "fors" as an abbreviation for forskohlin, and while ForsLean is not a term that was created completely out of whole cloth, it certainly requires consumer "imagination, thought, or perception" to determine the nature of the product. *See A & H Sportswear*, 237 F.3d at 222. It would, thus, appear that ForsLean is a suggestive mark. Moreover, it was undisputed that the ForsLean mark is commercially strong. Accordingly, this factor favors Sabinsa as a matter of law.

C. Purchasers' Care and Sophistication (*Lapp* Factor Three)

"When consumers exercise heightened care in evaluating the relevant products before making purchasing decisions, courts have found there is not a strong likelihood of confusion. Where the relevant

products are expensive, or the buyer class consists of sophisticated or professional purchasers, courts have generally not found Lanham Act violations." *Checkpoint Sys.*, 269 F.3d at 284. However, where the group of buyers is a combination of professionals and ordinary consumers, the class as a whole is not held to the higher standard of care. *Id.* at 285.

Under the heading "[p]rice and customer sophistication," the District Court found that "the product is expensive and the customers are sophisticated purchasers who purchase the product after careful thought and analysis. . . . Usually, the customers are repeat customers. These customers exercise a high level of care, and, therefore, eliminates [sic] the likelihood of confusion." The District Court also noted that "these products are not sold over the counter" and that "both parties' customers regularly ask technical questions about the scientific and safety merits of the product prior to purchase." The court thus concluded that this factor favors Creative Compounds. The court further weighed this factor heavily in its ultimate conclusion that there is no likelihood of confusion.

The District Court's reasoning inappropriately treats the products' direct buyers—here, the manufacturers of nutraceuticals—as the only relevant consumers. In *Kos*, we criticized the parties and the district court for treating medical professionals as the only relevant consumers of pharmaceuticals, noting that "drugs are increasingly marketed directly to potential patients through, for example, 'ask-your-doctor-about-Brand-X' style advertising." *See Kos*, 369 F.3d at 715–16. Here, Sabinsa presented evidence—completely disregarded

by the District Court—that it directly markets ForsLean through just this type of advertising, distributing pamphlets to retail outlets for distribution to the public. The appropriate "standard of care to be exercised," therefore, should have been "equal to that of the least sophisticated consumer in the class"—the general consumer reading a ForsLean pamphlet who then chooses a nutraceutical containing forskohlin. *See Checkpoint Sys.*, 269 F.3d at 285 (quoting *Ford Motor Co. v. Summit Motor Prods., Inc.*, 930 F.3d 277, 293 (3d Cir. 1991)); *cf. Morgenstern Chem. Co. v. G. D. Searle & Co.*, 253 F.2d 390, 392 (3d Cir. 1958) (recognizing that "physicians and pharmacists . . . are carefully trained to detect differences in the characteristics of pharmaceutical products," but holding that this "does not open the door to the adoption by manufacturers of medicines of trademarks or names which would be confusingly similar to anyone not exercising such great care"). The District Court thus committed legal error when it concluded that this factor weighs heavily in favor of Creative Compounds.

Once again, the facts are undisputed. Though the price of forskohlin to suppliers is relatively high, the neutraceuticals that contain forskohlin are clearly affordable to most interested consumers. Further, the sales process is as quick as a trip to the check-out counter. In addition, nutraceuticals, unlike pharmaceuticals, require no consultation with a professional and may often be impulse purchases. Moreover, there was no showing that consumers of nutraceuticals are highly sophisticated. Accordingly, this factor weighs in favor of Sabinsa.

D. Length of Time Without Confusion (*Lapp* Factor Four)/Evidence of Actual Confusion (*Lapp* Factor Six)

Evidence of actual confusion is frequently difficult to find. *See Checkpoint Sys.*, 269 F.3d at 291. As a result, we have determined that actual confusion is not necessary to demonstrate a likelihood of success. *See Fisons Horticulture*, 30 F.3d at 472. Evidence of actual confusion is nevertheless highly probative of a likelihood of confusion. *See Checkpoint Sys.*, 269 F.3d at 291. It was undisputed that ForsLean and Forsthin had co-existed for approximately three-and-a-half years at the time of trial without any evidence of actual confusion. Moreover, Sabinsa failed to submit survey evidence concerning actual confusion. Accordingly, the District Court did not err in concluding that these factors favor Creative Compounds.

E. Intent of the Defendant in Adopting the Mark (*Lapp* Factor Five)

Evidence of a defendant's intent is not a prerequisite for finding a Lanham Act violation; such evidence, however, weighs heavily in favor of finding a likelihood of confusion. *See Id.* at 286. In evaluating this factor, courts must look at whether the defendant chose the mark to intentionally confuse consumers, and thereby capitalize on the senior user's goodwill, and whether the defendant gave adequate care to investigating its proposed mark. *See Kos.*, 369 F.3d at 721. "[A] defendant's mere intent to copy, without more, is not sufficiently probative of the defendant's *success* in causing confusion to weigh such a finding in the plaintiff's

favor; rather, defendant's intent will indicate a likelihood of confusion only if an intent to *confuse* consumers is demonstrated via purposeful manipulation of the junior mark to resemble the senior's." *A & H Sportswear*, 237 F.3d at 225–26.

The District Court did not mention specific evidence regarding Creative Compounds's good or bad intent; rather, the court found that "there is nothing in the record to suggest that Creative Compounds attempted to pass off its goods as Sabinsa's. In fact, the evidence is to the contrary: Creative Compounds has made efforts to distinguish itself and its Forsthin product from Sabinsa." The record belies these conclusions. In fact, far from there being "nothing in the record to suggest" bad intent, there was ample evidence that Creative Compounds attempted to pass off its product as Sabinsa's. Creative Compounds' personnel offered inconsistent testimony concerning their trademark searches prior to the company's adopting the Forsthin mark. There was also evidence that Creative Compounds's President and CEO falsely claimed to have conducted research that expanded on Sabinsa's discoveries regarding forskohlin. In addition, the timing of Creative Compounds's adoption of the Forsthin mark and its pamphlet touting the "return of Coleus"—both of which coincided with ForsLean renewing its supply of forskohlin following the drought in India and issuing a "ForsLean promise" to its customers regarding continued supply—would support an inference that Creative Compounds intended to trade on Sabinsa's goodwill and confuse customers as to the source of its product. Indeed, the fact that Creative Compounds chose "fors," not "coleus," or "cole," or

"col," as the first syllable of its brand name, while also promoting the "return of Coleus," would suggest that the adoption of the "Forsthin" brand name was aimed at "ForsLean."

The District Court was, of course, permitted to credit or discredit certain pieces of testimony and weigh them accordingly. But in stating that there was "nothing in the record to suggest" Creative Compounds's bad intent, the District Court failed even to acknowledge the existence of contradictory evidence. Accordingly, its conclusory finding that this factor favors Creative Compounds is clearly erroneous.

Sabinsa argues that the District Court failed to apply the proper standards governing intent and that Creative Compounds's behavior in choosing a mark so similar to ForsLean should at least be considered reckless, rendering it sufficient to weigh this factor in Sabinsa's favor. In *Kos*, we held that the defendant's adoption of the ALTOCOR mark, after Kos had successfully used the ADVICOR mark for similar goods and with notice of its objections, was sufficient to weigh this factor in favor of Kos. *See* 369 F.3d at 721–22. Because the District Court in the instant case ignored whole swaths of evidence and failed to make any subordinate findings regarding intent, however, it is impossible to determine whether it appropriately comprehended the standard. Moreover, in contrast to the ADVICOR mark, both "ForsLean" and "Forsthin" bear some relationship to the underlying product; Creative Compounds's adoption of its mark, alone, therefore cannot be considered enough to weigh the intent factor for Sabinsa. Accordingly, unlike the other

factors, the intent factor involves disputed factual issues, and we are unable to hold that it favors either party as a matter of law.

F. Whether the Goods are Marketed Through the Same Channels of Trade and Advertised in the Same Media (*Lapp* Factor Seven)/Extent to Which Targets of the Parties' Sales Efforts are the Same (*Lapp* Factor Eight)

"The greater the similarity in advertising and marketing campaigns, the greater the likelihood of confusion." *Checkpoint Sys.*, 269 F.3d at 288-89 (citation omitted). A court should consider the trade exhibitions, publications, and other media the parties use in marketing their products. *See id* at 489. Similarly, when the parties target their sales efforts to the same group of consumers, there is a greater likelihood of confusion between the two marks. *See id.*

The District Court did not key its oral findings to these factors, but nonetheless noted that the parties were "competitors." In any event, it is undisputed that the parties sell the same product through the same channels of trade and the same forms of advertising to the same target group of customers. Accordingly, these factors weigh in favor of Sabinsa as a matter of law.

G. Relationship of the Goods in the Minds of Consumers (*Lapp* Factor Nine)

When ruling on this factor, a court should look at "how similar, or closely related, the products are." *Kos.*, 369 F.3d at 723. If the products "fall under the

same general product category but operate in distinct niches," they will probably not be closely related. *Checkpoint Sys.*, 269 F.3d at 288 (holding that the District Court did not clearly err in finding that parties' products were unrelated even though both fell under the broader category of "corporate security" where the plaintiff focused on physical security and the defendant focused on information and computer security). "The question is whether the consumer might . . . reasonably conclude that one company would offer both of these related products." *Fisons Horticulture*, 30 F.3d at 481.

The District Court made no findings as to this factor, but it is undisputed that the products are physically identical. Creative Compounds argues, as it did with respect to mark similarity, that Forsthin is a "weight loss" product while ForsLean is a "lean body mass" product. This argument is misplaced because the products are physically identical and both are marketed as weight management products. Creative Compounds further argues that buyers purchase the products directly from their sources and that "they are necessarily aware" that ForsLean and Forsthin are sold by separate companies. Customer sophistication, however, is *Lapp* factor three. *Lapp* factor nine focuses not on consumer sophistication but on the products themselves, since the determination is whether consumers *may* see them as related. *See Kos*, 369 F.3d at 723. Using that standard, this factor clearly weighs in favor of Sabinsa. *See Fisons*, 30 F.3d at 481 (citing cases where the relationship of goods was close enough to find likelihood of confusion, including: women's scarves and apparel with women's cosmetics and fragrances; liquor with restaurant selling liquor;

batteries and lamps with light bulbs and lamps; and pipe tobacco and bar accessories with scotch whisky).

H. Other Facts Suggesting the Public Might Expect the Prior Owner to Manufacture Both Products (*Lapp* Factor Ten)

In making this final determination under the *Lapp* test, courts should "look at the nature of the products or the relevant market, the practices of other companies in the relevant fields, any other circumstances that bear on whether consumers might reasonably expect both products to have the same source." *Kos*, 369 F.3d at 724. The District Court made no findings not encompassed by the other factors, and neither party argues that any relevant evidence exists. Accordingly, this factor is neutral.

V. Weighing the *Lapp* Factors

The most important factors, mark similarity and mark strength, favor Sabinsa. ForsLean and Forsthin are similar in appearance and meaning, and ForsLean is entitled to broad protection because it is a strong mark both conceptually and commercially. Moreover, ForsLean and Forsthin are physically identical, they are marketed to the same customers in the same ways, and the products' ultimate consumers do not exercise a particularly high level of care and sophistication when purchasing nutraceuticals. Accordingly, factors one, two, three, seven, eight, and nine favor Sabinsa as a matter of law. In contrast, since the District Court's findings regarding lack of actual confusion are

supported by the record, factors four and six favor Creative Compounds.

There is a factual dispute concerning Creative Compounds's intent in creating its mark. Even assuming that the District Court would completely discredit the evidence of bad intent, however, it would be clear error to allow the factors in favor of Creative Compounds to outweigh Sabinsa's strong showing on mark similarity and the remaining factors. We have repeatedly held that neither intent nor actual confusion are prerequisites to a finding of likelihood of confusion. *See Checkpoint Sys.*, 269 F.3d at 286, 291. As the Court of Appeals for the Second Circuit has observed, "intent is largely irrelevant in determining if consumers likely will be confused as to source. The history of advertising suggests that consumer reactions usually are unrelated to manufacturer intentions." *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 875 (2d Cir. 1986). Likewise, we have recognized that evidence of actual confusion is often difficult to find because many instances go unreported. *Checkpoint Sys.*, 269 F.3d at 291.

As we did in *Kos*, we have carefully considered whether to direct the District Court on remand to re-weigh the *Lapp* factors in light of the proper legal standards. We conclude once again "that doing so would serve no useful purpose . . . [and] waste judicial resources." *See Kos*, 369 F.3d at 725. The undisputed facts weigh heavily in favor of Sabinsa as a matter of law, and any reasonable factfinder weighing the *Lapp* factors in accordance with the correct legal standards would hold that Sabinsa had demonstrated a likelihood of confusion. *See id.*; *cf.*

Fisons, 30 F.3d at 482 (Garth concurring) ("I can see no purpose in remanding for retrial of Fisons' Lanham Act claims when it is so evident that the marks at issue here are confusingly similar."). Accordingly, we see no reason to remand for further analysis on likelihood of confusion.

VI. Conclusion

For the foregoing reasons, we will reverse the judgment in favor of Creative Compounds and remand this case for entry of judgment in favor of Sabinsa and for other proceedings not inconsistent with this opinion.

Sabinsa Corp. v. Creative Compounds LLC
No. 08-3255

AMBRO, Circuit Judge, concurring

I join Judge Roth's excellent opinion in full, and write separately only to emphasize two unusual features of this case. First, Sabinsa offered no evidence of actual confusion, a factor that we have previously described as "highly probative" in this context. *Checkpoint Sys. v. Check Point Software Techs., Inc.*, 269 F.3d 270, 291 (3d Cir. 2001). This is especially concerning here, where Sabinsa could have easily conducted a survey of customers to assess actual confusion in the relevant market. Given this, we could reasonably infer that Sabinsa expected that any survey results would undermine its case. Nonetheless, "[e]vidence of actual confusion is not required," and Judge Roth's *Lapp* analysis convinces me that, "while evidence of actual confusion would strengthen plaintiff's case, it is not essential." *Fisons Horticulture, Inc. v. Vigoro Indus., Inc.*, 30 F.3d 466, 476 (3d Cir. 1994).

Second, the District Court concluded that the "consumers who purchase[d] these products [we]re sophisticated users in the business of marketing and/or manufacturing dietary supplements." Indeed, the record suggests that the parties' primary targets were the manufacturers of retail items and not either retailers or retail consumers. Because manufacturing requires a base level of expertise and attention to ingredients, in the minerun case such purchasers are expected to be sophisticated enough to distinguish between brands—even when the

relevant brands have names as similar as "Forsthin" and "ForsLean." As we have previously explained, "[w]hen consumers exercise heightened care in evaluating the relevant products before making purchasing decisions, courts have found there is not a strong likelihood of confusion." *Checkpoint*, 269 F.3d at 284. Yet Judge Roth's opinion again persuades me that other factors in the *Lapp* analysis, including mark strength and mark similarity, outweigh concerns about the sophistication and care of the target audience. Furthermore, there is evidence in the record that weakens the District Court's analysis (or at least the weight it attributed to this factor), including evidence that manufacturers in this specific industry vary considerably in overall sophistication and care.

[Entered: July 9, 2010]

UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

No. 08-3255

SABINSA CORPORATION,

Appellant.

v.

CREATIVE COMPOUNDS LLC

On Appeal from the United States District Court
for the District of New Jersey
(D. C. No. 2-04-cv-04239)
District Judge: Hon. Dennis M. Cavanaugh

Argued on May 13, 2009

Before: AMBRO and ROTH, Circuit Judges
and FISCHER*, Disctict Judge

JUDGMENT

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* Judge Nora Barry Fischer, United States District Judge for the Western District of Pennsylvania, sitting by designation.

This case came to be heard on the record before the United States District Court for the District of New Jersey and was argued on May 13, 2009.

Upon consideration whereof,

IT IS ORDERED AND ADJUDGED by this Court that the judgment of the District Court entered June 26, 2008, be and the same is hereby reversed and this case is remanded to the District Court for further proceedings. Costs taxed against appellee.

All of the above in accordance with the Opinion of this Court.

ATTEST:

/s/ Marcia M. Waldron
Clerk

Dated: July 9, 2010

[Entered: June 25, 2008]

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF NEW JERSEY

SABINSA CORPORATION,

Plaintiff,

v.

CREATIVE COMPOUNDS, LLC,

Defendant.

Civil Action No. 04-4239 (DMC)(MF)

HON. DENNIS M. CAVANAUGH U.S.D.J.

FINAL JUDGMENT

This matter having been tried before the Court, sitting without a jury, on February 5, 6 and 7, 2008, and the Court having placed its findings of fact and separate conclusions of law on the record in accordance with Rule 52 of the Federal Rules of Civil Procedure, in the presence of counsel for both parties on June 16, 2008,

IT IS on this 25th day of June 2008;

ORDERED AND ADJUDGED, as follows:

1. Final Judgment is entered in favor of Defendant Creative Compounds, LLC and against

Plaintiff Sabinsa Corporation on all counts of the Complaint;

2. The Complaint of Plaintiff Sabinsa Corporation be, and is hereby, dismissed in its entirety with prejudice; and

3. Costs are awarded and shall be taxed in accordance with Local Civil Rule 54.1 in favor of Defendant Creative Compounds, LLC and against Plaintiff Sabinsa Corporation.

/s/ Dennis M. Cavanaugh
Honorable Dennis M. Cavanaugh
United States District Judge

[Entered August 27, 2010]

UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

No. 08-3255

SABINSA CORPORATION,

Appellant.

v.

CREATIVE COMPOUNDS, LLC

Before: McKEE, Chief Judge, SLOVITER, SCIRICA, RENDELL, BARRY, AMBRO, FUENTES, SMITH, FISHER, CHAGARES, JORDAN, HARDIMAN, GREENWAY, JR., VANASKIE, ROTH*, Circuit Judges and FISCHER**, District Court Judge.

ORDER

The petition for rehearing en banc filed by the Appellee in the above-entitled case having been submitted to the judges who participated in the decision of this Court and to all the other available circuit judges of the circuit in regular active service,

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* Judge Roth's vote is limited to panel rehearing only.

** Judge Fischer, sitting by designation, is limited to panel rehearing only.

and no judge who concurred in the decision having asked for rehearing, and a majority of the circuit judges of the circuit in regular active service not having voted for rehearing by the court en banc, the petition for rehearing is **denied**.

By the Court,

/s/ JANE R. ROTH
Circuit Judge

Dated: August 27, 2010
Tmk/cc: James H. Hulme, Esq.
Sean R. Kelly, Esq.
Brian J. McMahon, Esq.
Kevin McNulty, Esq.

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY
CIVIL ACTION NO. 04-4239

SABINSA CORPORATION, :
Plaintiff, :
v. :
:
CREATIVE COMPOUNDS, LLC,: :
:
Defendant. :

TRANSCRIPT OF PROCEEDINGS

OPINION

Newark, New Jersey
June 16, 2008

BEFORE:

THE HONORABLE DENNIS M. CAVANAUGH, U.S.D.J.

APPEARANCES:

SAIBER, SCHLESINGER, SATZ & GOLDSTEIN, LLC
BY: ARNOLD CALMANN, *I* ESQ.
-and-
ARENT FOX, LLP
BY: JAMES H. HULME, ESQ.
Attorneys for the Plaintiff

GIBBONS, P.C.

BY: BRIAN J. MC MAHON, ESQ.
Attorneys for the Defendant

Pursuant to Section 753 Title 28 United States Code, the following tranacript is certified to be an accurate record as taken stenographically in the above entitled proceedings.

/s/ THOMAS F. BRAZAITIS, CSR, Official Court Reporter

THE COURT: Please, be seated.

In the matter of Sabinsa Corporation versus Creative Compounds, Civil Action 04-4239.

At the outset, let me just state that the counsel from Washington, who I got a letter --

MR. HULME: I'm from Washington. My associate Eric Baxter wanted to phone in, but it wasn't working.

THE COURT: I just wanted you to know I wasn't denying the request, it's for technical reasons.

Gentlemen, I asked you to come in today because I felt, quite frankly, with my schedule, and everything else, personal issues that I've got to take care of within the next couple of weeks, I wanted to get this matter out of the way. So, I'm going to place my opinion on the record at this time, and I will order a copy of the transcript, and I will, after reviewing it, make it part of the record file with the Court, and that will be the holding.

This matter was tried before the Court without the benefit of a jury on February 5, 6 and 7, 2008.

Now, pursuant to Rule 52 of the Federal Rules of Civil Procedure, it is incumbent upon this Court to set forth its findings of fact and separate conclusions of law as well as entering judgment pursuant to Rule 58.

After carefully considering all of the evidence presented at trial, as well as the parties' post-trial filings of proposed findings of fact and conclusions of law, this Court finds that Plaintiff has not born its burden of proof by a preponderance of the evidence and, therefore, enters judgment against Plaintiff and in favor of Defendant.

Jurisdiction:

This Court has subject matter jurisdiction over this action pursuant to 15 U.S.C. Section 1121 and 28 U.S.C. Section 1331 and 1338(a), in that this case arises under the laws of the United States. The Court has jurisdiction of the unfair competition claims under the provisions of 28 U.S.C. Section 1338(b), in that the claims are joint with a substantial and related claim under the laws of the united States, 15 U.S.C. Section 1051, et seq., and under the principles of supplemental jurisdiction, 28 U.S.C. Section 1367. In addition, there is diversity of citizenship between the parties.

Parties:

Plaintiff, Sabinsa, is a New Jersey corporation with an office and principle place of business at 121 Ethel Road West, Piscataway, New Jersey. Sabinsa is a raw material supplier to the nutraceutical industry. Sabinsa markets and sells a natural extract of the coleus forskohlii root to the nutraceutical industry in interstate commerce under the name Forslean.

The goods for which the Forslean mark is used are described by Sabinsa as "natural extract of coleus forskohlii root sold as an essential ingredient of dietary supplements."

Defendant, Creative Compounds, LLC, is a Nevada limited liability company with its principle place of business in Scott City, Missouri. Creative compounds is a raw material supplier to the nutraceutical and food industries. Creative Compounds' target customers are contract manufacturing facilities, sports nutrition companies and manufacturers of dietary supplements.

Since sometime prior to June 2004, Creative Compounds has marketed and sold a natural extract of the coleus forskohlii root to the nutraceutical or nutritional supplement industry in interstate commerce under the name Forsthin.

CLAIMS:

Since 1999, Plaintiff Sabinsa has sold forskolin under the name Forslean. Forskolin is a chemical found in the plant coleus forskohlii, which is a perennial member of the mint family native to India.

In 2001, Sabinsa received its federal registration for the word "Forslean" as a trademark in the **U.S.** Patent & Trademark Office.

Beginning in 2004, Defendant Creative Compounds began selling forskolin under the name

"Forsthin." Defendant does not have a federal registration on the word "Forsthin."

Neither party sells its forskolin products through retail stores and neither sells directly to consumers for their personal use. Both parties sell forskolin to manufacturers of nutraceutical products for the use as an ingredient.

The products sold by the parties is a white powder sold in bulk for use as an ingredient in nutritional or dietary supplements. It is expensive, costing between 150 to $2,900 per kilo, depending on its strength. Customers commonly buy large amounts of up to 100 kilos at a time.

As seen from the above, the parties are competitors. Sabinsa brings this trademark infringement action against Creative claiming that Creative's use of Forsthin to sell forskolin creates a likelihood of confusion with Sabinsa's Forslean market. Creative asserts that its mark does not infringe, claiming there is no likelihood of confusion between the parties' marks.

This case involves claims of infringement of a registered trademark under (1) Section 32(a) of the Lanham Act, 15 U.S.C. Section 1114(1); (2) unfair competition under Section 43(a) of the Lanham Act, 15 U.S.C. Section 1125(a); (3) trademark infringement under the common law; (4) unfair competition under the common law; and (5) unfair competition under New Jersey state law as codified in N.J.S.A. Section 56:4-1.

Accordingly, the threshold question before the Court is whether or not Defendant's use of the mark Forsthin is likely to create confusion in the marketplace when compared to Plaintiff's mark Forslean.

FINDINGS:

While there certainly are a number of technical legal arguments made by each party regarding alleged trademark violations under the Lanham Act, this case is really rather simple: Is Defendant's use of the mark Forsthin sufficient to create a likelihood of confusion, and, therefore, unfair competition to the consumer as against Plaintiff's Forslean mark?

This Court has now had the opportunity to hear evidence presented by both sides, has had an opportunity to review the trial transcripts, as well as both parties' post-trial filings, and for the following reasons this Court finds under the circumstances presented that the likelihood of confusion does not exist.

There is no question that each mark shares the term "Fors." This is apparently an abbreviation of the generic term of the product, coleus forskohlii. Accordingly, this is not a mere arbitrary term, but, rather, a prefix used by each party combined with either the word "lean" or "thin."

It must be remembered that the product in question is sold to a specific although public market and consumer. Most, if not all, consumers who

purchase these products are sophisticated users in the business of marketing and/or manufacturing dietary supplements. Furthermore, these are not the types of products that one normally purchases off the shelf in a store or other facility. Rather, they are specific items purchased through purchase orders and personal contact between the sellers and buyers.

Plaintiff and Defendant have their clientele. Those purchasing the product are knowledgeable, repeat customers under most circumstances.

Further, Defendant claims its Forsthin mark conveys to the consumer that the underlying product is forskolin for the use in connection with weight loss, whereas Plaintiff's Forslean product suggests to the customer that the product is forskolin for use to help building lean body mass. Thus, the marks are distinguishable visually, orally and conceptually.

The parties agree that in more than three and a half years, since Forsthin has been on the market, there is no evidence of even one consumer being confused by the mark.

In furtherance of its claims that the consumers involved are sophisticated rather than an average consumer purchasing something on impulse, both parties' customers regularly ask technical questions about the scientific and safety merits of the product prior to purchase. They also frequently require documents verifying detailed information, which include specification sheets and certifications from the parties.

Furthermore, both Plaintiff and Defendant have experts on hand to assist the salespeople who are sometimes unable to answer technical questions. These consist of scientists and chemists knowledgeable in the field.

As stated above, stores do not carry this product. If a customer wants to buy one or the other, it must contact either party by phone, fax or email to place an order.

As many sales-oriented businesses do, each party also assigns a specific salesperson to handle each customer.

All of the above support this Court's finding that we are dealing with sophisticated purchasers.

To prevail on a trademark infringement claim, a party must demonstrate that it has a valid and protectable trademark and that the Defendant's use of the Plaintiff's mark is likely to cause consumer confusion as to the source of the parties' goods and services. A&H Sportswear, Inc. v. Victoria's Secret Stores, 237 F.3d 198 (3d Cir. 2000).

The parties acknowledge that Sabinsa has trademark rights in its Forslean mark. As stated earlier, the issue then becomes whether or not Defendant's Forsthin mark gives rise to likelihood of confusion among the customers for the parties' goods.

Fortunately, as a guide to the trial record, the Third Circuit has set forth a nonexhaustive list of

factors that this Court should consider in evaluating and determining the likelihood of confusion. These are known as the Lapp factors. See, Interspace Corp. v. Lapp, Inc., 721 F.2d 460 at 463 (3d Cir. 1983).

As set forth by the Third Circuit in Kos Pharms, Inc. v. Andrx Corp., at 369 F.2d 700 at 709 (3d Cir. 2004), adapting the Lapp factors for use in cases where the parties sell competing goods under their respective marks, these factors include:

1. The similarity of the parties' marks;
2. The strength of the Plaintiff's mark;
3. The price of the goods and other factors indicative of the care and attention expected of customers when making a purchase;
4. The length of time the Defendant has used its mark without evidence of actual confusion arising;
5. The intent of the Defendant in adopting the mark?
6. The evidence of actual confusion;
7. Whether the goods competing or not competing are marketed through the same channels of trade and advertised through the same media;
8. The extent to which the targets of the parties' sales efforts are the same;
9. The relationship of the goods in the minds of customers; and
10. Other facts suggesting that the consuming public might expect the Plaintiff to manufacture both products or expect that Plaintiff is likely to expand into the Defendant's market.

These factors must be weighed and balanced against one another depending on the facts. Not every fact is necessarily relevant to every case, and no one factor is necessarily determinative.

When assessing the similarity of two marks, the standard is whether the labels create the same overall impression when viewed separately. Fisons Horticulture v. Vigoro, 30 F.3d 466 (3d Cir. 1994), quoting Banff v. Federated. A side-by-side comparison of the two marks is not the proper method to determine whether or not confusion exists. The Court should consider the mark's appearance, sound and meaning.

The Court has had the benefit of reviewing both marks separately, and with the exception of the front portion of the each mark beginning with the letters "fors," I find no other similarity. Whether or not the letters "fors" is a generic term for the coleus forskohlii, or merely a term that would inform the ultimate purchaser in this sophisticated market that the product pertains to coleus forskohlii is not dispositive. The marks must be considered in their entireties.

Again, here, when viewed in their entireties, the marks are materially different in sight, sound and meaning.

The words "thin" and "lean" are not visually similar.

In addition, the parties present their names in a stylized logo depicting a leaf apparently from a

plant which also demonstrates differences between the two. The leaves are totally dissimilar and the suffix portion of the word is set off in either a different type of print on behalf of Defendant or a capital letter on behalf of Plaintiff. The leaves depicted demonstrate a geometric, stylized drawing on behalf of Plaintiff of four leaves in relatively straight lines. Defendant, on the other hand, includes a more natural type of single leaf with a stem creating virtually no similarity. The marks look different and give a different overall impression.

As to the sound, one merely has to say the words to experience the difference when spoken.

This Court also accepts Defendant's arguments that a different commercial impression is made by the word "lean" versus "thin." Thin would convey to the consumer, or purchaser, weight loss, whereas lean would convey a lean body type.

Accordingly, the visual and connotative differences weigh against the finding of a likelihood of confusion, and, thus, weigh in Defendant's favor.

2. The strength of the Plaintiff's mark.

This is evaluated in terms of conceptual strength and commercial strength. Defendant argues that Plaintiff's mark is conceptually weak because it is highly suggestive. Sabinsa argues that its mark is commercially strong based on its advertising efforts, press mentions and its receipt of two industry awards regarding its product. However, testimony at trial reflected the parties' sophisticated target

customers were aware of both parties' marks and that there is no confusion.

This factor does not support Plaintiff's position.

3. Price and customer sophistication.

This factor weighs in Defendant's favor. As discussed earlier, the product is expensive and the customers are sophisticated purchasers who purchase the product after careful thought and analysis. These types of purchasers are less likely confused than the ordinary customer. Usually, the customers are repeat customers. These customers exercise a high level of care, and, therefore, eliminates the likelihood of confusion.

Regarding channels of trade, as discussed, these products are not sold over the counter. A customer must affirmatively contact the seller and place an order by phone, fax or email. Testimony supports the Defendant's position that a customer must make specific contact, and usually through a specific salesperson known to the customer. This supports nonconfusion.

Again, there has been no evidence of even one instance of confusion over the four-year period these marks have been used.

4. Actual Confusion.

There has been no testimony or evidence presented of actual confusion regarding Plaintiff's

claims. The trademarks have co-existed in the marketplace for approximately four years. Accordingly, this factor weighs in Defendant's favor.

In addition, Plaintiff has failed to submit any evidence of any survey supporting its claims of confusion. Failure to conduct a survey on the issue of likelihood of confusion, particularly when the trademark owner is financially able, justifies an inference "that the Plaintiff believes the results of the survey will be unfavorable." See Jacquin Et Cie, Inc. v. Destileria Serralles, Inc., 921 F.2d 467 at 475 (3d Cir. 1990), citing Eagle Shacks, Inc. v. Nabisco.

Again, this supports Defendant's position that there is no likelihood of confusion. In addition, there has been no diminution of customers on behalf of Plaintiff.

5. The length of time without any evidence of customer confusion.

As stated above, this factor weighs heavily in favor of Defendant that confusion is not likely. "If a defendant's product has been sold for an appreciable period of time without evidence of actual confusion, one can infer that continued marketing will not lead to consumer confusion in the future.
The longer the challenged product has been in use, the stronger this inference will be." Checkpoint Systems, at 269 F.3d at 291 quoting Versa Products, 50 F.2d at 205.

6. Creative Compounds' intent in adopting Forsthin.

The evidence supports Defendant's claim that it adopted its Forsthin mark in good faith. There is nothing in the record to suggest that Creative Compounds attempted to pass off its goods as Sabinsa's. In fact, the evidence is to the contrary: Creative Compounds has made efforts to distinguish itself and its Forsthin product from Sabinsa.

This Court is not going to comment on all of the testimony offered at trial. Suffice it to say, I am satisfied that the testimony taken as a whole amply supports the Court's decision.

To prevail on a claim of trademark infringement, a Plaintiff must show that (1) it has a valid and protectable trademark, and (2) that the Defendant's use of its mark is likely to cause consumer confusion as to the source of the parties' goods or services. See A&H Sportswear, 237 F.3d at 210.

Sabinsa's burden of proof on its claim of trademark infringement is the same as its burden of proof on its claims for unfair competition under Section 43(a) of the Lanham Act, 15 U.S.C. Section 1125(a), unfair competition under N.J.S.A. Section 56:4-1, and trademark infringement and unfair competition under the common law. See also Bijur Lubricating, 332 F.Supp.2d at 727.

Just as Sabinsa's trademark infringement claim must be denied, so too must each of its other claims.

In evaluating likelihood of confusion, the Third Circuit examines a nonexhaustive list of factors known as the "Lapp factors." See Interspace Corp, v. Lapp, Inc., 721 F.2d 460, 463 (3d Cir. 1983).

Not every Lapp factor is relevant to every case. A&H Sportswear, 237 F.2d at 215.

Rather, the applicable factors must be weighed and balanced against one another and may properly be accorded different weights depending on the particular factual setting. See also Freedom Card, 432 F.3d at 471.

Importantly, the evaluation of likelihood of confusion "must be based on the confusion of some relevant person; *i.e.*, a customer or purchaser. And there is always less likelihood of confusion where goods are expensive and purchased after careful consideration." Astra Pharm Products, 718 F.2d at 1206 (citing Pignons, 657 F.2d at 489; Fisher Stoves, 626 F.2d at 194.

The Lanham Act "only protects 'against mistaken purchasing decisions and not against confusion generally. '"Checkpoint Systems, 104 F.Supp.2d at 460 (quoting Lang v. Ret. Living Pub. Co., 949 F.2d 576, 583 (2d Cir. 1991) (finding that the high level of consumer sophistication makes it "far less likely" that anyone would purchase one

party's product believing the other party to be the source).

To assess likelihood of confusion, the parties' marks must be considered in their entireties and in their commercial settings. See Operaland U.S.A., Inc. v. Great Am. Music Show, Inc., 970 F.2d 847, 851 (Fed. Cir. 1992) ("when it is the entirety of the marks that is perceived by the public, it is the entirety of the marks that must be compared") (citing Estate of P.D. Beckwith, Inc. v. Comm'r of Patents, 252 U.S. 538, 545-46, 40 S.Ct. 414, 417, 64 L.Ed. 705 (1920); Specialty Brands, Inc. v. Coffee Bean Distributors, Inc., 748 F.2d 669, 672-73 (Fed. Cir. 1984); Giant Food, Inc. v. Nations Food Service, Inc., 710 F.2d 1565, 1570 (Fed. Cir. 1983); Coca-Cola Company v. Clay, 324 F.2d 198, 199-200 (C.C.P.A. 1963); One J. Thomas McCarty, Trademarks and Unfair Competition, Sections 11:10, 12:12(c) (2d Ed. 1984 & 1990 Supp.).

"'Similarity of the marks is merely one of the relevant factors, and is not dispositive of the issues of likelihood of confusion.'" Harlem Wizards Entm't. Basketball, Inc. v. NBA Props., Inc., 952 F.Supp. 1084, 1096 (D.N.J. 1997) (quoting Taj Mahal, 745 F.Supp. at 247).

In cases such as this, where the common element of the parties' marks is a word with a well-known meaning among the relevant customers, relatively slight differences in sound or appearance can suffice to eliminate a risk of confusion. Tonka Corporation, 836 F.Supp. at 205; see also Dell Labs, Inc. v. Alleghany Pharmacal Corp., 516 F.Supp. 777,

782 (S.D.N.Y. 1981) (finding no likelihood of confusion, despite that the parties') respective (REJUVA-NAIL and REJUVIA marks have "some aural resemblance as a result of their initial letters."

In evaluating similarity, the factfinder "must compare the appearance, sound and meaning of the marks, as well as the manner in which they are used." Taj Mahal Enters., Ltd. v. Trump, 745 F.Supp. 240 at 247 (D.N.J. 1990) (citing Caesars World, 490 F.Supp. at 824) D.N.J. 1980)).

The strength of a mark is evaluated in terms of both its conceptual strength and its commercial strength. Fisons Horticulture, Inc. v. Vigoro Indus., Inc., 30 F.3d at 479 (3d Cir. 1994).

It is well established that the scope of protection afforded a merely descriptive or even a highly suggestive term is less than that accorded an arbitrary or coined mark. Trademark Office Trademark Manual of Examining Procedure, Section 1207.01(b)(ix) (quoting In re: Hunke & Jochheim, 185 U.S.P.Q. 188, 189 (T.T.A.B. 1975)). That is, terms falling within the former category have been generally categorized as "weak" marks, and the scope of protection extended to these marks has been limited to the substantially identical notation and/or to the subsequent use and registration thereof for substantially similar goods.

The cases are legion holding that, where goods are relatively expensive, customers take more care in making their purchasing decisions and, consequently, are less likely to be confused as to

source or affiliation. See, e.g., Checkpoint Sys. , 269 F.3d at 284 (citing Versa Products, 50 F.3d at 204 ("Inexpensive goods require consumers to exercise less care in their selection than expensive ones.")); see also, Ford Motor Company, 930 F.2d at 293; Prince Mfg., 1988 W.L. 142407 at *4-5, 1988 U.S. District LEXIS 15031, *13-14.

"As common sense dictates, the law provides that confusion is unlikely if the products or services at issue are complex and expensive, the purchasers are highly sophisticated, and the purchase process is one that is lengthy and requires close attention and analysis by the purchasers." Checkpoint Sys., 104 F.Supp.2d at 460 (citing Astra Pharm Prods., 718 F.2d at 1206-07).

"Many cases state that where the relevant buyer class is composed of professionals or commercial buyers familiar with the field, they are sophisticated enough not to be confused by trademarks that are closely similar. That is, it is assumed that such professional buyers are less likely to be confused than the ordinary consumer." Checkpoint Sys., 269 F.3d at 284 citing 3 McCarthy on Trademarks, Section 23:101).

The manner in which the products are sold also serves to eliminate any likelihood of confusion. Customers who must affirmatively call, email and/or fax a particular company to buy a product, who do so by contacting salespeople they know and have dealt with in the past, and who conduct substantial due diligence before placing an order, are not likely to believe that the product comes from another source.

See Astra Pharm. Products, 718 F.2d at 1206 ("[T]here is always less likelihood of confusion where goods are expensive and purchased after careful consideration") (citing Pignons, 657 F.2d at 489; Fisher Stoves, 626 F.2d at 194.

"If a Defendant's product has been sold for an appreciable period of time without evidence of actual confusion, one can infer that continued marketing will not lead to consumer confusion in the future. The longer the challenged product has been in use, the stronger this inference will be." Checkpoint Systems, at 269 F.3d at 291 (affirming finding of no likelihood of confusion where the parties' marks coexisted for five years in the absence of any actual confusion) (Versa Products, 50 F.3d at 205); accord Barre-National, 773 F.Supp. at 744 (Lack of actual confusion "weighs heavily against a finding of likelihood of confusion."); Fisons Horticulture, 30 F.3d at 476 ("[W]hen parties have used similar marks for a sufficient period of time without evidence of consumer confusion about the source of the products, there is an inference that future consumers will not be confused either").

Conclusions of law regarding Creative Compounds' intent in adopting the mark.

This factor'" considers whether the Defendant adopted its mark with the intention of capitalizing on [the] Plaintiff's reputation and good will and [on) any confusion between his and the senior user's product.'" Savin Corporation, 391 F.3d at 460.

Prior knowledge of a senior user's trademark is not inconsistent with good faith. Savin Corporation, 391 F.3d at 460.

Moreover, a party's intent in adopting its mark is irrelevant where there is no likelihood of confusion. Versa Products, 50 F.3d at 205.

Failure to perform an official trademark search through counsel does not, in and of itself, prove that a Defendant acted in bad faith. Savin Corporation, 391 F.3d at 460 (citing Cir. 1998)).

It is uncontroverted that there is absolutely no evidence of actual confusion in this case. That alone gives rise to an inference that there is no likelihood of confusion. Checkpoint Sys., 269 F.3d at 291, quoting Versa Products, 50 F.2d at 205.

Sabinsa's claims for trademark infringement and unfair competition under federal law, state law and trademark infringement and unfair competition under the common law are hereby denied.

Accordingly, since there is no confusion or unfair competition and since Sabinsa has not made a showing that it has suffered any actual damages as a result of Creative Compounds' use of Forsthin, Sabinsa is not entitled to an award of damages.

Based upon the foregoing findings of fact and conclusions of law, the Court finds that Sabinsa's claims for trademark infringement, unfair competition under the Lanham Act, unfair competition under N.J.S.A. Section 56:4-1 and

trademark infringement and unfair competition under the common law are not supported by the facts presented and, therefore, Plaintiff is not entitled to relief under any of these claims.

Defendant shall submit a form of judgment within seven days from the date of the Court's ruling.

* * * *